

Department of Veterans Affairs
Washington, DC 20420

VA Directive 4900
Transmittal Sheet
July 8, 1994

**MANAGEMENT CONTROL OVER AUTOMATED
FINANCIAL INFORMATION SYSTEMS**

1. REASON FOR ISSUE: To provide policy, for program managers to execute, which will demonstrate adequate management control over the internal control and security procedures incorporated into automated financial management information systems.

2. SUMMARY OF CONTENTS/MAJOR CHANGES: This directive prescribes policy, responsibilities, references, and definitions that Department of Veterans Affairs' (VA) program managers must follow to demonstrate adequate management controls over the maintenance and development of automated financial management information systems. Program managers are VA officials charged with the responsibility and authority to manage appropriated, revolving, or trust funds.

3. RESPONSIBLE OFFICE: The Office of Financial and ADP Systems Integrity (047B), Office of Financial Management, is responsible for the material contained in this directive.

4. RESCISSION: None.

CERTIFIED BY:

**BY DIRECTION OF THE SECRETARY
OF VETERANS AFFAIRS:**



Robert Evans
Acting Deputy Assist. Secretary
for Information Resources Mgmt.



D. Mark Catlett
Assistant Secretary for Finance
and Information Resources Mgmt.

Distribution: RPC **6505**

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FOR SCREEN READERS ONLY, VA DIRECTIVES 4900 TRANSMITTAL SHEET
WAS SIGNED ON JULY 8, 1994, BY NADA D. HARRIS, DEPUTY ASSISTANT
SECRETARY FOR INFORMATION RESOURCES MANAGEMENT & EUGENE A. PRICKHOUSE,
ASSISTANT SECRETARY FOR HUMAN RESOURCES AND ADMINISTRATION.

**MANAGEMENT CONTROL OVER AUTOMATED
FINANCIAL INFORMATION SYSTEMS**

1. PURPOSE AND SCOPE

a. This directive prescribes policy, responsibilities, references, and definitions that Department of Veterans Affairs' (VA) program managers must follow to demonstrate adequate management controls over the maintenance and development of automated financial management information systems. Program managers are VA officials charged with the responsibility and authority to manage appropriated, revolving, or trust funds.

b. Internal controls and security form the core of the Federal Government's financial management standards. Internal controls are the tools used by program managers to manage the quality of financial data produced by their systems. The tools embedded into the automated application programs enhance the program manager's ability to prevent and detect errors before issuing management reports and financial statements that report the financial condition of their program or service, and the results of its operations. Security features are important, and represent tools for providing confidentiality and integrity to financial systems.

c. VA Directive 4910, ADP Financial and Interfacing Systems Integrity, is directed toward the independent verification and validation of financial and interfacing systems. This directive is aimed at the internal control policies and procedures used by management to support their assertions that the financial statements and reports, for their individual program, are fairly presented and represent the results of financial activities in accordance with governing legal requirements.

d. This directive applies to all program managers and their respective organizations responsible for the management of Federal funds and funds held in trust for others.

2. POLICY

a. The financial management system for each VA program shall meet the internal control and security requirements as defined in the governing directives cited in Section 4 of this Directive. To comply with these requirements, program managers shall agree to institutionalize a control methodology for designing, testing, and documenting internal controls, and security measures embedded into their application systems.

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b. The internal control and security documentation shall support an opinion that adequate controls exist and give reasonable assurance that the financial reports produced by the system present fairly the results of operations for each program. The basis for the opinion will be the performance of the review procedures prescribed by the "Internal Control and Security Review Guide" dated January 15, 1993. Certification of appropriate internal control and security documentation shall be prepared for the program manager by his/her **internal** control review staff.

3. RESPONSIBILITIES

a. **Assistant** Secretary for Finance and Information Resources Management. The Chief Financial Officers (CFO) Act of 1990 mandates improved financial management, in part, by assigning clearer responsibility for leadership to senior officials and by requiring the establishment of CFO organizations in each Department, enhanced financial systems, and audited financial statements and performance measurement reporting. Improving federal financial management systems requires increased accountability for financial and program managers to provide necessary information for better decision making, and to improve the efficiency and effectiveness of services provided by the federal government. As the CFO for VA, the Assistant Secretary for Finance and Information Resources Management (AS/FIRM) has redelegated to the Deputy Assistant Secretary for Financial Management (DAS/FM), as the Department's Deputy CFO, the authority to direct, manage, and provide policy guidance and oversight of Departmental financial management personnel, activities, systems, and operations.

b. **Assistant** Secretaries, Administration Heads, and other key officials are responsible for ensuring that:

(1) new systems and major system modifications to existing systems contain adequate internal controls and security measures in accordance with regulations, policies, and procedures;

(2) current operational, undocumented systems are reviewed and documented for adequacy of internal controls;

(3) documentation of internal controls embedded in application software reflects compliance with established Government directives, standards, and procedures;

(4) certification of ADP financial and interfacing systems are adequate and in conformance with the policies described by this Directive;

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(5) organizations' supplemental policies or guidelines are established, as necessary, to satisfy their responsibilities for the integrity of ADP financial systems, as well as those systems that interface with VA financial systems; and

(6) compliance with the above requirements is monitored on a regular basis.

c. The Office of Financial and ADP Systems Integrity is responsible for reviewing and determining compliance of financial programs with applicable governing directives and VA policies. In addition, this Office will provide assistance in developing, implementing, and monitoring appropriate controls for recording, processing, and reporting financial data.

4. REFERENCES. This Directive is issued pursuant to the governing requirements published by Federal oversight agencies. Over the past decade, the General Accounting Office (GAO), the Office of Management and Budget (OMB), and other Federal entities, both internal and external to the VA, have issued numerous directives that provide guidance and requirements for the implementation of controls over Federal automated systems. They include:

- a. OMB Circular A-123, Internal Control System;
- b. OMB Circular A-127 (Revised), Financial Management Systems;
- c. OMB Circular A-130, Management of Federal Information Resources;
- d. GAO's Policy and Procedures Manual for Guidance of Federal Agencies;
- e. Core Financial System Requirements, a Joint Financial Management Improvement Program (JFMIP) Directive;
- f. Chief Financial Officers Act of 1990;
- g. Privacy Act of 1974; and**
- h. Computer Security Act of 1987.

5. DEFINITION. Reasonable Assurance - A standard for internal controls and security which recognizes that the cost of internal control should not exceed the benefit derived. Reasonable assurance equates to a satisfactory level of confidence under given consideration of costs, benefits, and risks.